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CENTRAL INTELLIGENCE AGENCY

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SUPPLEMENT TO REPORT NO.

1. Malavin of USIA returned from Moscow with instructions to halt the requisition of German property and prepare for the release of some properties which are being held by the Soviets. The Legal Department of USIA has been instructed to study the problems involved, but the names of the firms concerned have not yet been made known. The specific plants which the Soviets plan to retain after an Austrian peace treaty is concluded are still a matter of speculation.)

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2. Another source reports the following on USIA:

a. As of 3 January 1949, the USIA Patent Department is to be enlarged. At the same time, Soviet Patent Department Director Sotov was appointed representative of Istegstahl Gesellschaft, a private patent office in Vienna IV, Argentinierstrasse, but, apparently, Sotov is to retain his USIA Patent Office functions. All USIA-held patents are to be transferred to Istegstahl and a series of contracts for the exploitation of patents are being drawn up by the Patent Department and German Properties Department of USIA for the signature of Istegstahl and various USIA plants. Each contract states clearly that Istegstahl has the exclusive right to all USIA patents. Istegstahl is the former Schimmel & Co. and an example of the front companies which the Soviets may establish to take over a large part of USIA functions and personnel after the conclusion of a treaty.)

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b. On 1 January, Yefimov was appointed director of the Trofaiacher Eisen- u. Stahlwerke, Klosterneuburg, and replaced as head of the USIA German Properties Department by one Olekh, an inexperienced engineer recently arrived from Moscow. Olekh is rapidly terminating the ownership investigations and drawing up rough estimates of the total value of German properties. Some personnel and office space of this department has been transferred to the Patent Department.

c. The USIA plants of the Light Industry Administration have been ordered to complete an inventory report for 1948 by 17 January 1949. Some firms who were requested to close their books by 1 December 1948 have already submitted these reports.

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Next Review Date: 2008

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3. A third source reports that a meeting on 18 December 1948 was attended by Georgiev, head of the USIA Light Industry Department, representatives of the Austrian Communists Party Central Committee, and the Austrian directors of several USIA firms which are allegedly slated to remain under Soviet control.

25X1A6a Comment: Only three of the firms represented have been identified. Two of these, Stahl-und Temperguss A.G. and Stadlauer Lederindustrie, appear for the first time in this category. The third, Glanzstoffabrik St. Pölten, had been previously mentioned as slated for Soviet retention. This meeting may have been merely a sop to the CP, since the USIA directorate has never had a high regard for the efficiency of Communist management. It is regarded questionable that the CP will have much influence on USIA post-treaty plans.) After the conclusion of the treaty, the bulk of USIA goods will be exported with the express purpose of developing markets in Bizonia; the German marks thus earned will enable the Soviets to purchase critical materials in Bizonia. A portion of USIA profits is to be used to support "other things". (25X1A2g Presumably the Austrian Communist Party.) It was revealed at the meeting that the Soviets do not wish USIA firms to be subject to Austrian taxation. In order to evade Austrian export controls, the Soviets will furnish USIA with separate Danube shipping facilities. The emphasis in 1949 is to be on increased production, cuts in cost, and the maintenance of reliable Communists in key positions in USIA firms. A Soviet trade delegation and chamber of commerce with full extraterritorial rights are to be established in Vienna.

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Indicate that the Soviets intend to retain the most profitable part of USIA after the conclusion of a treaty and will demand reimbursement for those German holdings which are to be returned to the Austrian economy. As in previous treaty negotiations, they will in all probability insist on extraterritorial rights for the enterprises remaining in Soviet hands.)

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